

**AUDIT REPORT OF  
BARREN COUNTY  
FORMER SHERIFF'S SETTLEMENT-2006 TAXES**

**December 29, 2006**

**Donna Bouvier  
Certified Public Accountant**

**Member: American Institute of Certified Public Accountants  
Kentucky Society of Certified Public Accountants**

## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BARREN COUNTY FORMER SHERIFF'S SETTLEMENT - 2006 TAXES**

**December 29, 2006**

I have completed the audit of the Former Sheriff's Settlement - 2006 Taxes for Barren County as of December 29, 2006. I have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

The Former Sheriff collected taxes of \$15,239,735 for the districts for 2006 Taxes, retaining commissions of \$497,584 to operate the Sheriff's office. The Former Sheriff distributed taxes of \$14,738,627 to the districts for 2006 Taxes after refunds of \$3,566. The Former Sheriff owes an additional \$84 to one taxing district and is due refunds of \$126 from other taxing districts.

#### **Deposits:**

The Former Sheriff's deposits were insured and collateralized by bank securities.

#### **Report Comment:**

- The Former Sheriff's Office Lacks Adequate Segregation Of Duties

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To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Davie Greer, Barren County Judge/Executive  
Honorable Barney Jones, Former Barren County Sheriff  
Honorable Chris Eaton, Sheriff  
Members of the Barren County Fiscal Court

Independent Auditor's Report

I have audited the Former Barren County Sheriff's Settlement - 2006 Taxes as of December 29, 2006. This tax settlement is the responsibility of the Former Barren County Sheriff. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for Sheriff's Tax Settlements* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Former Barren County Sheriff's taxes charged, credited, and paid as of December 29, 2006, in conformity with the modified cash basis of accounting.

In accordance with *Government Auditing Standards*, I have issued a report dated March 21, 2007, on my consideration of the Former Sheriff's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Davie Greer, Barren County Judge/Executive  
Honorable Barney Jones, Former Barren County Sheriff  
Honorable Chris Eaton, Barren County Sheriff  
Members of the Barren County Fiscal Court

Based on the results of my audit, I have presented the accompanying comment and recommendation, included herein, which discussed the following report comment:

- The Former Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

*Donna Bouvier*

Donna Bouvier  
Certified Public Accountant

March 21, 2007

BARREN COUNTY  
BARNEY JONES, SHERIFF  
FORMER SHERIFF'S SETTLEMENT - 2006 TAXES

December 29, 2006

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 2,132,919	\$ 816,863	\$ 9,261,187	\$ 2,024,333
Tangible Personal Property	266,774	91,866	1,059,440	727,243
Intangible Personal Property	-	-	-	-
Volunteer Fire Department Dues	-	287,350	-	-
Increases Through Exonerations	2,295	853	11,158	7,415
Franchise Corporation	69,415	21,037	264,030	-
Bank Franchises	126,303	-	-	-
Adjusted to Sheriff's Receipt	43	18	28	2
Gross Chargeable to Sheriff	⌘ \$ 2,597,749	⌘ \$ 1,217,987	⌘ \$ 10,595,843	⌘ \$ 2,758,993
<u>Credits</u>				
Discounts	\$ 38,625	\$ 18,572	\$ 166,529	\$ 45,553
Exonerations	3,442	1,451	13,857	3,039
Transfer to Incoming Sheriff	238,640	147,726	1,019,431	233,883
Uncollected Franchise	18	6	65	-
Total Credits	⌘ \$ 280,725	⌘ \$ 167,755	⌘ \$ 1,199,882	⌘ \$ 282,475
Taxes Collected	⌘ \$ 2,317,024	⌘ \$ 1,050,232	⌘ \$ 9,395,961	\$ 2,476,518
Less: Commissions *	98,761	34,895	258,389	105,539
Taxes Due	⌘ \$ 2,218,263	⌘ \$ 1,015,337	⌘ \$ 9,137,572	⌘ \$ 2,370,979
Taxes Paid	2,217,719	1,015,149	9,135,339	2,370,420
Refunds (Current and Prior Year)	546	188	2,273	559
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	\$ (2)	\$	\$ (40)	\$

\*\*

\*, and \*\* See Next Page.

The accompanying notes are an integral part of the financial statement.

BARREN COUNTY  
 BARNEY JONES, SHERIFF  
 FORMER SHERIFF'S SETTLEMENT - 2006 TAXES  
 December 29, 2006  
 (Continued)

\* Commissions:

10% on	\$ 15,000	\$ 1,500
4.25% on	5,592,825	237,695
2.75% on	9,395,961	258,389
0% on	9,235,949 (Note 5)	-
		<u>\$ 497,584</u>

\*\* School Districts:

Barren County School District	\$ (124)
Glasgow Independent School District	<u>84</u>
Due Districts or (Refund(s) Due Sheriff)	<u>\$ (40)</u>

The accompanying notes are an integral part of the financial statement.

## NOTES TO FINANCIAL STATEMENT



BARREN COUNTY  
NOTES TO FINANCIAL STATEMENT  
FORMER SHERIFF'S SETTLEMENT – 2006 TAXES

December 29, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BARREN COUNTY  
NOTES TO FINANCIAL STATEMENT  
FORMER SHERIFF'S SETTLEMENT - 2006 TAXES  
December 29, 2006  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk –Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 29, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2006. Property taxes were billed to finance governmental services for the year ended June 30, 2007. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 26, 2006, through December 29, 2006.

Note 4. Interest Income

The Former Barren County Sheriff earned \$4,415 as interest income on 2006 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was turned over to the fiscal court as part of monthly excess fees.

Note 5. Volunteer Fire Department Annual Membership Charges

The Barren County Fiscal Court passed an ordinance April 1, 2003, that does not allow the Sheriff to collect an administrative fee or commission on the collection of volunteer fire department annual membership charges after the first year of collections.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**Donna Bouvier**  
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To the Honorable Davie Greer, Barren County Judge/Executive  
Honorable Barney Jones, Former Barren County Sheriff  
Honorable Chris Eaton, Barren County Sheriff  
Members of the Barren County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*

I have audited the Former Barren County Sheriff's Settlement - 2006 Taxes as of December 29, 2006, and have issued my report thereon dated March 21, 2007. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Former Barren County Sheriff's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Barren County Sheriff's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Former Barren County Sheriff's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I did identify a certain deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

I consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Former Sheriff's Office Lacks Adequate Segregation Of Duties

Report On Internal Control Over Financial Reporting  
And On Compliance and Other Matters Based On An Audit  
Of The Financial Statement Performed In Accordance With  
*Government Auditing Standards*  
(Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Former Barren County Sheriff's Settlement - 2006 Taxes as of December 29, 2006, is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

**Donna Bouvier**

Donna Bouvier  
Certified Public Accountant

March 21, 2007

COMMENT AND RECOMMENDATION

BARREN COUNTY  
BARNEY JONES, FORMER SHERIFF  
COMMENT AND RECOMMENDATION  
FORMER SHERIFF'S SETTLEMENT – 2006 TAXES

December 29, 2006

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Former Sheriff's Office Lacks Adequate Segregation Of Duties

I recognize the extent of segregation of duties is a judgment established by management. I also recognize this judgment is affected by certain circumstances beyond the elected official's control, such as functions prescribed by statutes and regulations and by budgetary constraints. I recommend the Sheriff implement the compensating controls noted below to offset the internal control weakness.

- The Sheriff could periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. The Sheriff could document this by initialing the bank deposit, daily checkout sheet and receipts ledger.
- The Sheriff could compare the monthly tax distribution reports to receipts ledger for accuracy. Any differences should be reconciled. The Sheriff could document this by initialing the monthly tax distribution report.
- The Sheriff could periodically compare payments to taxing districts with checks. The Sheriff could document this by initialing the monthly tax distribution reports, noting that payment amounts were agreed to checks.
- The Sheriff could periodically compare bank reconciliation to the bank balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.

*Sheriff's Response: None.*

Prior Year Finding:

The prior year audit report had Lacks Adequate Segregation of Duties as a reportable condition and material weakness. As noted above, this reportable condition and material weakness has not been corrected.

